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April 5, 1995

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Re: CC Docket No. 92-77
RM-8686

Dear Mr. Caton:

Enclosed for filing are the original and nine (9) copies of the Comments of Operator Service Company in CC Docket No. 92-77 pursuant to the Commission's March 13, 1995 establishing a pleading cycle on CompTel's rate ceiling proposal and the petition for rulemaking of the National Association of Attorneys General.

Please acknowledge receipt of this filing by date-stamping the extra copy of this cover letter and returning it to me in the self-addressed, stamped envelope provided for this purpose.

Questions regarding this filing may be directed to me at (407) 740-8575.

Yours truly,

Nanci Adler

Nanci Adler
Consultant to OSC

cc: K. Smith, OSC
FCC Contractor, ITS
to file: OSC-FCC

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of Billed Party Preference for 0+ InterLATA Calls	)	CC Docket No. 92-77
and	)	
The Petition for Rulemaking of National Association of Attorneys General Proposing Additional Disclosures by Some Operator Service Providers	)	RM-8686

COMMENTS OF
OPERATOR SERVICE COMPANY
ON COMPTEL'S FILING PROPOSING A RATE CEILING ON
OPERATOR ASSISTED CALLS

AND

THE PETITION FOR RULEMAKING
OF NATIONAL ASSOCIATION OF ATTORNEYS GENERAL
PROPOSING ADDITIONAL DISCLOSURES BY
SOME OPERATOR SERVICE PROVIDERS

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Dated: April 5, 1995

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COMMENTS OF
OPERATOR SERVICE COMPANY

Operator Service Company ("OSC") hereby submits the following comments regarding the rate ceiling proposed by the Competitive Telecommunications Association, et al and the Petition for Rulemaking filed by the National Association of Attorneys General RM-8606.

I. THE COMPTEL PROPOSAL

It has been OSC's position throughout this docket that rate ceilings should be regarded with extreme caution. Rate ceilings can have undesirable effects, including dampened motivation for technological or service innovation and may penalize companies whose cost structure is higher for legitimate reasons. The Commission must proceed with caution to ensure that the rate level determined for long distance telecommunications services will not have perverse affects on the industry and consumers.

Implementation of Rate Ceiling

If this Commission decides to impose rate caps, three significant items must be addressed: 1) the Commission must specifically define the services subject to the rate ceilings; 2) a mechanism for rate justification above the rate ceiling must be established; and 3) an annual adjustment to the rate ceiling to account for inflation must be instituted.

Definition of Services Subject to the Ceiling. The proposed rate ceilings should apply to the specific services available today and only to these categories of calls. Industry players, including regulators, cannot foresee the technology and service advancements that may occur in the decades to come. Future service enhancements or value-added features should not be stifled as a result of price caps established in today's market. For this reason, the rate ceiling must set forth the specific types of services to which it applies. If a carrier develops an optional enhanced operator assisted service which provides customers with additional value, the carrier should be not be forced to price the service at or below an inappropriate rate ceiling. If this were the case, such service innovations will not occur.

Rate Justification. Carriers should be given the opportunity to justify rates higher than the rate ceiling or establish rates calculated in a manner differently from the rate ceiling calculation. Any procedure for justifying rates should be streamlined and accessible to small carriers with limited resources. Absent a viable, streamlined and low cost method for justifying rates above the rate ceiling, this Commission effectively eliminates operator service providers ability to provide such cost justification.

Annual Inflation Adjustment. A rate ceiling which establishes fixed rates in today's dollars should have an automatic mechanism for annual adjustments which reflect the rate of inflation. Although today's environment is one of low inflation, economic changes are inevitable. An automatic annual adjustment factor will ensure that the rate ceiling does not become ludicrous in a future economic environment. This adjustment could be based on the Consumer Price Index or the Gross Domestic Product Implicit Price Deflator. As an example, the Illinois Commerce Commission uses the GDP Implicit Price Deflator to adjust its operator services rate ceilings. In Order No. 93-0335 the Illinois Commission established a procedure whereby the rate ceiling is escalated annually by the percentage change in the GDP Implicit Price Factor. This adjustment is made each December and the new rate level becomes effective each January 1.

The CompTel Proposed Rates

Specifically in response to the rate ceiling proposed by CompTel, OSC suggests that while these rates are at a generally acceptable level, the rate schedule itself is illogical and should be modified.

There are two basic cost elements in operator assisted calls. The first cost is a fixed and is based on such costs as operator handling, billing and collection, and validation. The second cost element is the usage sensitive charges associated with use of the network (i.e. per-minute long distance and access charges). The typical method for recovering these costs in a logical manner is to load the fixed costs into the initial minute of the call or to add a fixed service charge - both accomplish the same end. The per-minute usage charge then applies to each minute the call is connected.

There is no basis for varying the per-minute usage charge for the call over the duration of the call, as the CompTel proposal recommends. For example, in the CompTel rate ceiling, the incremental cost per minute for a call varies from $0.50 to $0.25 per minute, depending upon the length of the call. At various durations, the cost for an incremental minute of use is $0.25, $0.35, $0.45 and $0.50. It is not possible to develop a rate schedule in the traditional means of constant per-minute charges plus a per-call service charge that reflects the CompTel proposal. If carriers choose to price calls at the rate ceiling, it will result in costly billing program adjustments.

OSC recommends that the Commission adopt a rate ceiling formula that is more in keeping with the current industry standard of using per-minute service charges and constant usage rates.

Using CompTel's general rate level as a guide, OSC recommends the following rate ceiling:

<u>Per Call Service Charges</u>

Station-to-Station:	$3.75
Person-to-Person:	$4.75
<u>Per Minute Usage Rate:</u>	$0.35

This proposal more accurately reflects the costs of providing service by loading costs into the first minute of service (via the per-call service charge) and by using a constant usage rate. OSC's proposed rate ceiling structure results in rates equivalent to CompTel's for five (5) minute and seven (7) minute calls. And while OSC's proposal purposefully results in higher rates for short-duration calls, it also results in rates lower than CompTel's for calls beyond seven minutes. The following chart compares CompTel's and OSC's proposals:

Call Type: Operator Station (all types other than Person-to-Person)

Call Duration	**CompTel Proposal**	**OSC Proposal**
1 minute	$3.75	$4.10
2 minute	$4.25	$4.45
3 minute	$4.75	$4.80
4 minute	$5.25	$5.15
5 minute	$5.50	$5.50
6 minute	$5.95	$5.85
7 minute	$6.20	$6.20
8 minute	$6.65	$6.55
9 minute	$7.00	$6.90
each add'l min	$0.35	$0.35

II. ATTORNEYS GENERAL RULEMAKING FOR ADDITIONAL DISCLOSURES

OSC has often stated its position that the key elements to an effective market is to ensure that consumers are able to make educated choices and that they are able to exercise those choices. In the case of operator assisted calls, this Commission has already taken strong steps to ensure that consumers have the ability to make an informed decision. Existing rules for call branding, posting of notice information, the provision of rate quotes upon request and free of charge, and the prohibition against blocking access to other carriers set the foundation for effective market mechanisms.

The proposal by the Attorneys General which requires an additional statement to consumers is redundant and unnecessary. Furthermore, the proposed lengthy message will lead to consumer annoyance and increased costs to carriers - and ultimately to consumers.

Consumers who place multiple operator assisted calls will quickly tire of listening to the message proposed by the Attorneys General. In an era where the telecommunications industry has spent tremendous resources in an effort to reduce call set-up times by seconds and fractional seconds to improve service to consumers, it is a giant step backward to slow down the call process with an unnecessary and lengthy message.

The proposed message of the Attorneys General is also vague and confusing. Since consumers have a large number of long distance carriers to choose from as their "regular" carrier, there is no feasible way to compare the consumer's actual "regular telephone company's" rates to the rates charged by the provider of operator services. Furthermore, the provider *may be* the consumer's regular carrier, which will just add to the confusion.

In addition, using dominant carrier rates as the benchmark for an additional message requirement is at best arbitrary and worst dangerous market interference. A dominant carrier has the market power and financial resources to create havoc on the myriad smaller carriers trying to comply with such a regulation. In 1994 alone, AT&T filed thirteen (13) separate tariff revisions to its basic Message Telecommunications Service rates (including operator service charges) of which twelve (12) were rate increases. It is difficult to imagine carriers - small or large - having to implement rate changes and/or changes to an message delivery system each and every time AT&T decides to change its rates. Furthermore, this type of system creates an unfair burden on all carriers other than AT&T, giving AT&T (once again) an advantage over its competitors.

Finally, adding additional seconds to each will increase the costs of processing an operator handled call. Regardless of how costs are hidden, they are ultimately passed on the consumers of the service.

For these reasons, OSC recommends that the Commission deny the Attorneys General Petition for Rulemaking instituting additional disclosure requirements.

III. SUMMARY

Rate ceilings must be approached with extreme caution to avoid perverse affects on the market and on consumers. If the Commission decides to implement rate ceilings, the ceilings: 1) must be well-defined; 2) must include an annual inflation adjustment factor; and 3) should include a streamlined mechanism for justification of rates higher than the ceiling. OSC recommends a more straightforward rate ceiling formula than the one proposed by CompTel. OSC's proposed rate ceiling formula is based on a stated per-call service charge and a constant per minute usage charge.

The additional message requirement as proposed in the petition of the Attorneys General is unnecessary, redundant to existing rules, and unduly burdensome on competitive carriers. For these reasons, the proposed rule change should be denied.

Respectfully submitted this 3rd day of April, 1995.

Kirk Smith

Kirk Smith
President
Operator Service Company
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